

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>RESORT TOWNSHIP</b>	County <b>EMMET</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>7/15/05</b>	Date Accountant Report Submitted to State: <b>9/23/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

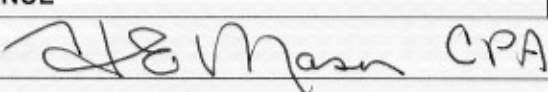
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>MASON &amp; KAMMERMANN, P.C.</b>			
Street Address <b>110 PARK AVENUE</b>	City <b>CHARLEVOIX</b>	State <b>MI</b>	ZIP <b>49720</b>
Accountant Signature 		Date <b>9/23/05</b>	

RESORT TOWNSHIP  
EMMET COUNTY, MICHIGAN

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FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
for the year ended March 31, 2005

# Resort Township

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MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON  
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INDEPENDENT AUDITOR'S REPORT

July 15, 2005

Members of the Township Board  
Resort Township  
Petoskey, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Resort Township of Petoskey, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

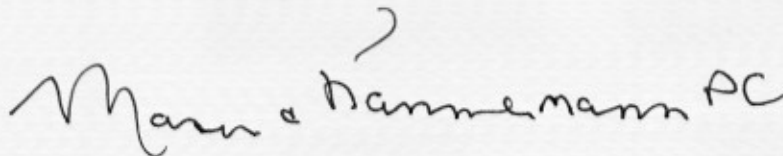
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Resort Township as of March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new fanatical reporting model, as required by the provisions of Governmental Accounting Standards

Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of April 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mason & Kammermann PC". The signature is written in dark ink on a light background.

Mason & Kammermann, P.C.  
Certified Public Accountants

# **Resort Township**

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## **Management Discussion & Analysis**

This section of Resort Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2005.

### **Financial Highlights**

- The General Fund balance increased \$151,831. Likewise, the Fire Fund balance increased \$14,905.
- The Township received \$649,330 in Act 425 revenue from the City of Petoskey, an increase of \$140,896 over the prior year.
- The Township purchased land for future recreational or commercial use.

### **Overview of the Financial Statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are in a new format implemented over this fiscal year to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Resort Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expense are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Resort Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of Resort Township is improving or deteriorating.

# **Resort Township**

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## **Management Discussion & Analysis**

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year, on the modified accrual basis of accounting.

The government-wide financial statements can be found on pages of this report.

### **Fund Financial Statements**

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Resort Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Resort Township uses two categories of funds, which are governmental and fiduciary funds.

### **Governmental funds**

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Resort Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund and Public Improvements Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of individual and combining statements elsewhere in this report.

# **Resort Township**

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## **Management Discussion & Analysis**

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like proprietary funds.

The basic fiduciary fund financial statements can be found on page of this report.

### **Financial Analysis of the Township as a Whole**

The table below summarizes the Township's net assets as of March 31, 2005:

<b>Net Assets March 31, 2005</b>	
	<u>Governmental Activities</u>
<b>Assets</b>	
Current Assets	\$ 2,767,791
Capital Assets, net acc. depreciation	<u>776,812</u>
Total Assets	<u>\$ 3,544,603</u>
<b>Liabilities</b>	
Accounts Payable	\$ 15,509
<b>Net Assets</b>	
Invested in Capital Assets	776,812
Restricted	704,940
Unrestricted	<u>2,047,342</u>
Total Net Assets	<u>\$ 3,529,094</u>

The total net assets of the Township's are \$3,529,094. Net assets totaling \$704,940 are restricted for capital improvements, fire safety and inventory. The township has \$2,047,342 of unrestricted net assets, which could be used to



# **Resort Township**

## **Management Discussion & Analysis**

finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The following table shows how activities affected changes in net assets during the fiscal year.

### **Changes in Net Assets For Year Ended March 31, 2005**

	Governmental Activities
<b>Revenues:</b>	
Program Revenues	
Charges for Services	\$ 11,076
General Revenues:	
Property Taxes	283,214
State Shared Revenues	174,897
Act 425	649,330
Interest	18,763
Other	3,368
Total Revenues	1,140,648
<b>Expenses:</b>	
Legislative	129,209
General Government	139,559
Community & Economic Development	60,498
Public Safety	87,499
Public Works	173,473
Recreation and Cultural	62,048
Total Expenses	652,106
Change in Net Assets	\$ 488,542

### **Revenue sources and changes**

Total revenue from all sources totaled \$1,140,648 for governmental activities. This revenue consists mainly of \$649,329.79 (57%) Act 425 revenue from their agreement with the City of Petoskey, \$283,213.45 (25%) from property tax collection and \$174,897.11 (15%) from state revenue sharing. The millage rate for general operations was .9039 and .5000 for the fire department.

# **Resort Township**

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## **Management Discussion & Analysis**

### **Expenses**

Using a full accrual basis of accounting, the Township spent \$652,106 on governmental activities. This equates to 27% on public works, 21% on general government, 20% on legislative activities, 13% public safety, 10% on culture and recreation and 9% on community and economic development.

### **Financial Analysis of the Township's Funds**

At March 31, 2005, the Township's governmental funds reported a combined cash balance of \$2,254,978, which is approximately \$162,000 more than last year.

Revenues in the General Fund exceeded expenditures by \$151,831, which was due to expenditures not reaching anticipated amounts and also revenues were higher than expected.

The Fire Fund had a \$14,905 increase in its fund balances this year. This was due to collecting more tax revenue than anticipated in the expected budget amount.

The Public Improvement Fund increased by \$4,312 due to interest earned on certificates of deposit.

### **Capital Assets**

At fiscal year ended March 31, 2005, the Township had \$776,812 of capital assets, net accumulated depreciation. During the year, the Township invested \$329,475 in land and \$1,764 in equipment.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and land improvements, building and building improvements, equipment and furniture. The Township uses straight-line depreciation for all depreciable assets.

### **Long-Term Debt**

The Township had no outstanding long-term debt as of the year-end March 31, 2005.

### **Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

# **Resort Township**

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## **Management Discussion & Analysis**

### **Requests for Information**

This financial report is designed to provide a general overview of Resort Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Resort Township, 2232 Resort Pike Road, Petoskey, MI 49770

# Resort Township

## Statement of Net Assets March 31, 2005

		<u>Governmental Activities</u>
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash	\$	2,254,978
Certificates of Deposit		490,840
Inventory - Books		6,847
Taxes Receivable		<u>15,126</u>
Total Current Assets		2,767,791
<b>Noncurrent Assets</b>		
Capital Assets		1,071,189
Less: Accumulated Depreciation		<u>(294,377)</u>
Total Noncurrent Assets		<u>776,812</u>
Total Assets		<u><u>\$ 3,544,603</u></u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current Liabilities</b>		
Accounts Payable	\$	15,509
<b>Net Assets</b>		
Invested in Capital Assets	\$	776,812
Restricted		704,940
Unrestricted		<u>2,047,342</u>
Total Net Assets		<u>3,529,094</u>
Total Liabilities and Net Assets		<u><u>\$ 3,544,603</u></u>

The accompanying notes are a part of the financial statements.

# Resort Township

## Statement of Activities For Year Ended March 31, 2005

		Program Revenues			Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total
	Expenses				
Governmental Activities					
Legislative	\$ 129,029	\$ 200	\$ -	\$ -	\$ (128,829)
General Government	139,559	-	-	-	(139,559)
Community & Economic Development	60,498	10,876	-	-	(49,622)
Public Safety	87,499	-	-	-	(87,499)
Public Works	173,473	-	-	-	(173,473)
Recreation and Cultural	62,048	-	-	-	(62,048)
Total Government Activities	652,106	11,076	-	-	(641,030)
General Revenues:					
Taxes:					
Property Taxes					283,214
State Shared Revenues					174,897
Act 425					649,330
Interest					18,763
Other					3,368
Total General Revenues					1,129,572
Change in Net Assets					488,542
Net Assets - Beginning of Year				\$ 3,321,184	
Less: GASB 34 adjustment, accumulated depreciation				(280,632)	
Net Assets - Adjusted Beginning of Year					3,040,552
Net Assets - End of Year					\$ 3,529,094

The accompanying notes are a part of the financial statements.

# Resort Township

## Governmental Funds Balance Sheet March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Fire</u>	<u>Capital Improvement</u>	<u>Total</u>
Cash	\$ 2,043,782	\$ 211,196	\$ -	\$ 2,254,978
Certificates of Deposit	-	-	490,840	490,840
Inventory - Books	6,847	-	-	6,847
Taxes Receivable	9,739	5,387	-	15,126
Total Assets	<u>\$ 2,060,368</u>	<u>\$ 216,583</u>	<u>\$ 490,840</u>	<u>\$ 2,767,791</u>

### Liabilities and Fund Equity

Liabilities:				
Accounts Payable	\$ 6,179	\$ 9,330	\$ -	\$ 15,509
Fund Equity:				
Fund Balance - Undesignated	2,047,342	-	-	2,047,342
Fund Balance - Designated	6,847	207,253	490,840	704,940
Total Fund Balance	<u>2,054,189</u>	<u>207,253</u>	<u>490,840</u>	<u>2,752,282</u>
Total Liabilities & Fund Equity	<u>\$ 2,060,368</u>	<u>\$ 216,583</u>	<u>\$ 490,840</u>	<u>\$ 2,767,791</u>

The accompanying notes are a part of the financial statements.

# **Resort Township**

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## **Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2005**

Total Fund Balances - Governmental Funds	\$ 2,752,282
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the governmental funds  
balance sheet.

Cost of capital assets	1,071,189
Accumulated depreciation	<u>(294,377)</u>

Total Net Assets - Governmental Activities	<u><u>\$ 3,529,094</u></u>
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The accompanying notes are a part of the financial statements.

# Resort Township

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For Year Ended March 31, 2005

	General	Fire	Capital Improvement	Total
<b>Revenues:</b>				
Taxes	\$ 183,588	\$ 99,626	\$ -	\$ 283,214
Act 425	649,330	-	-	649,330
State Shared Revenue	174,897	-	-	174,897
Licenses & Permits	10,876	-	-	10,876
Charges for Service	200	-	-	200
Interest	14,451	-	4,312	18,763
Other	3,368	-	-	3,368
	<u>1,036,710</u>	<u>99,626</u>	<u>4,312</u>	<u>1,140,648</u>
Total Revenues	1,036,710	99,626	4,312	1,140,648
<b>Expenditures:</b>				
Current:				
Legislative	129,029	-	-	129,029
General Government	134,574	-	-	134,574
Community & Economic Development	60,499	-	-	60,499
Public Safety	-	84,721	-	84,721
Public Works	173,473	-	-	173,473
Recreation and Cultural	56,065	-	-	56,065
Capital Outlay	331,239	-	-	331,239
	<u>884,879</u>	<u>84,721</u>	<u>-</u>	<u>969,600</u>
Total Expenditures	884,879	84,721	-	969,600
<b>Net Change in Fund Balance</b>	151,831	14,905	4,312	171,048
<b>Fund Balances - Beginning of Year</b>	<u>1,902,358</u>	<u>192,348</u>	<u>486,528</u>	<u>2,581,234</u>
<b>Fund Balances - End of Year</b>	<u>\$ 2,054,189</u>	<u>\$ 207,253</u>	<u>\$ 490,840</u>	<u>\$ 2,752,282</u>

The accompanying notes are a part of the financial statements.



# **Resort Township**

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## **Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For Year Ended March 31, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$ 171,048
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets  
is allocated over their estimated useful lives

331,239

Depreciation expense is recorded in the statement of activities but not  
the governmental fund financial statements

(13,745)

Changes in Net Assets - Governmental Activities

\$ 488,542

The accompanying notes are a part of the financial statements.

# Resort Township

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## Fiduciary Fund Statement of Changes in Fiduciary Net Assets For Year Ended March 31, 2005

**Additions:**

Property Tax Collections for Primary Government	\$ 270,246
Property Tax Collections for Other Governments	<u>5,858,940</u>
Total Additions	<u>6,129,186</u>

**Deductions:**

Property Tax Distributions to Primary Government	270,246
Property Tax Distributions to Other Governments	<u>5,858,940</u>
Total Distributions	<u>6,129,186</u>

**Change in Net Assets**

-

**Fiduciary Net Assets - Beginning of Year**

-

**Fiduciary Net Assets - End of Year**

\$ -

The accompanying notes are a part of the financial statements.

# **Resort Township**

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## **Notes To Financial Statements For Year Ended March 31, 2005**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Resort Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Resort Township.

#### **A. Reporting Entity**

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), public improvements, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

#### **Joint Operation**

The Resort-Bear Creek Fire Department provides fire protection services to the Township. The Fire Department is a joint agreement between Bear Creek Township and Resort Township. Resort Township has a pro rata share of 30 percent of operating expenditures and 50 percent of capital expenditures. The Township does not have oversight responsibility for the Resort-Bear Creek Fire Department. The Fire Department's financial statements are blended as part of Bear Creek's financial statements and may be obtained at Bear Creek Township, 373 N. Division Rd., Petoskey, Michigan 49770

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

# **Resort Township**

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## **Notes To Financial Statements For Year Ended March 31, 2005**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

# **Resort Township**

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## **Notes To Financial Statements For Year Ended March 31, 2005**

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenues Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Included under this classification are the Public Improvement and Fire Funds.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### **Cash and Investments**

Cash is comprised of the amount of funds in bank accounts.

Investments consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

#### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”.

#### **Inventories**

Inventories are stated at cost. Inventory recorded in the General Fund consists of Resort Township history books. Disbursements for inventory-type items are recorded as expenditures in the General Fund at the time of sale.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years.

# **Resort Township**

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## **Notes To Financial Statements For Year Ended March 31, 2005**

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings	40 years
Equipment	5 years
Land Improvements	20 years
Building Improvements	25 years

### **Long-term Obligations**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that appropriates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

As of March 31, 2005, the Township has no outstanding long-term debt.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates**

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

# **Resort Township**

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## **Notes To Financial Statements For Year Ended March 31, 2005**

### Accounting Change

As of April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township’s activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$739,950 which was the amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township’s applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with implementation of Statement No. 34 based on GASB No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

# Resort Township

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## Notes To Financial Statements For Year Ended March 31, 2005

2. Public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance prior to April 1.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year.
5. Appropriations expire at the end of the fiscal year.

### Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Resort Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

During the year, the Township incurred expenditures in the General and Fire Fund in excess of the amounts appropriated, as follows:

<b>Fund/Function</b>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>				
Capital Outlay	<u>\$ 135,000</u>	<u>\$ 329,500</u>	<u>\$ 331,239</u>	<u>\$ (1,739)</u>
<b>Fire Fund:</b>				
Operating Expense	<u>\$ 60,000</u>	<u>\$ 79,350</u>	<u>\$ 84,721</u>	<u>\$ (5,371)</u>

### Accumulated Fund Deficits

The Resort Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2005.

## NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal



# **Resort Township**

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## **Notes To Financial Statements For Year Ended March 31, 2005**

agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan

Deposits – At March 31, 2005 the carrying amount of the Township's deposits was \$2,254,978.

Investments – The carrying amount of the Township's investments as March 31, 2004 consisted of certificates of deposit totaling \$490,840.

The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$2,374,066 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$371,752 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

### **NOTE 4 – PROPERTY TAXES**

Property taxes attach as an enforceable lien (due and payable) on property upon levy. Taxes are levied in December and are payable from December through February 28. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to State Headlee and Truth-in-Taxation provision, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited amounts for payment of principal and interest on general obligation long-term debt.

# **Resort Township**

## **Notes To Financial Statements For Year Ended March 31, 2005**

The tax rates for the year ended March 31, 2005 were as follows:

<u>PURPOSE</u>	<u>RATE/ ASSESSED VALUATION</u>
Operations:	
General governmental operations	.9039 per \$1000
Fire protection	.5000 per \$1000

### **NOTE 5 – ACT 425 AGREEMENT**

The Township entered into a Public Act 425 agreement with the City of Petoskey in 1994. Under the terms of the agreement the Township conditionally transferred an economic development project to the City. The City will provide all municipal services to the project area, except planning and zoning which will continue to be administered by the Township. In exchange for the transfer the City will share with the Township, tax revenues levied in the district. For the year ended March 31, 2005 the township received \$649,330 in shared tax revenues.

### **NOTE 6 – CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>Balance of April 1, 2004</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance of March 31, 2005</u>
Capital assets not being depreciated				
Land	\$ 139,712	\$ 329,475	\$ -	\$ 469,187
Capital assets being depreciated				
Buildings	496,193	-	-	496,193
Equipment and Furniture	104,045	1,764	-	105,809
Total Capital Assets, being depreciated	600,238	1,764	-	602,002
Less: Accumulated Depreciation:	(280,632)	(13,745)	-	(294,377)
Total Capital Assets	<u>\$ 459,318</u>	<u>\$ 317,494</u>	<u>\$ -</u>	<u>\$ 776,812</u>

# **Resort Township**

## **Notes To Financial Statements For Year Ended March 31, 2005**

Depreciation expense was charged to the Township's functions as follows:

General Government	\$	4,985
Public Safety		2,778
Recreation		<u>5,982</u>
	\$	<u>13,745</u>

### **NOTE 7 – FUND EQUITY RESERVATIONS AND DESIGNATIONS**

The General Fund balance includes \$6,847 reserved for inventory.

The Fire Fund has \$207,253 reserved for public safety.

The Public Improvements Fund has \$490,840 designated for public improvements and major equipment expenditures.

### **NOTE 8 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

# Resort Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Revenues:</b>				
Taxes:				
Property Tax	\$ 170,000	\$ 170,400	\$ 183,588	\$ 13,188
425 Tax Revenue	500,000	500,000	649,330	149,330
State Revenues:				
State Shared Revenues	150,000	150,000	174,897	24,897
Charges for Services	400	200	200	-
Licenses and Permits	11,500	11,500	10,876	(624)
Interest	8,000	7,800	14,451	6,651
Other	2,000	2,000	3,368	1,368
	<u>841,900</u>	<u>841,900</u>	<u>1,036,710</u>	<u>194,810</u>
Total Revenues				
<b>Expenditures:</b>				
<b>Legislative</b>				
<b>Township Board</b>				
Salaries	-	-	11,169	-
Fees & Per Diem	-	-	969	-
Office Supplies	-	-	1,397	-
Printing & Postage	-	-	1,866	-
Professional Services	-	-	71,720	-
Legal Notices	-	-	4,310	-
Utilities	-	-	2,064	-
Education and Training	-	-	1,331	-
Insurance and Unemployment	-	-	23,918	-
Other Expenses	-	-	10,285	-
	<u>190,500</u>	<u>139,950</u>	<u>129,029</u>	<u>(10,921)</u>
Total Legislative				
<b>General Government</b>				
<b>Township Supervisor</b>				
Salaries & Wages	-	-	14,031	-
Clerical	-	-	10,531	-
Office Supplies	-	-	3,137	-
Other Expenses	-	-	3,590	-
	<u>17,250</u>	<u>31,300</u>	<u>31,289</u>	<u>(11)</u>
Total Township Supervisor				

# Resort Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Elections</b>				
Wages & Fees	-	-	3,730	-
Supplies	-	-	1,605	-
Education and Training	-	-	452	-
Total Elections	<u>5,000</u>	<u>5,800</u>	<u>5,787</u>	<u>(13)</u>
<b>Township Assessor</b>				
Salaries & Wages	-	-	21,495	-
Supplies	-	-	2,744	-
Total Township Assessor	<u>27,000</u>	<u>27,000</u>	<u>24,239</u>	<u>(2,761)</u>
<b>Township Clerk</b>				
Salary, Clerk	-	-	14,047	-
Wages, Deputy Clerk	-	-	4,575	-
Supplies	-	-	2,016	-
Total Township Clerk	<u>23,700</u>	<u>23,700</u>	<u>20,638</u>	<u>(3,062)</u>
<b>Township Board of Review</b>				
Fees & Per Diem	-	-	353	-
Supplies	-	-	1,463	-
Total Board of Review	<u>4,500</u>	<u>4,500</u>	<u>1,816</u>	<u>(2,684)</u>
<b>Township Treasurer</b>				
Salary, Treasurer	-	-	13,800	-
Wages, Deputy Treasurer	-	-	2,183	-
Supplies	-	-	1,769	-
Printing	-	-	3,757	-
Postage	-	-	2,675	-
Total Township Treasurer	<u>30,800</u>	<u>30,800</u>	<u>24,184</u>	<u>(6,616)</u>

# Resort Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Building and Grounds</b>				
Wages	-	-	1,847	-
Supplies	-	-	610	-
Professional Services	-	-	3,558	-
Contracted Services	-	-	4,011	-
Utilities	-	-	5,937	-
Equipment Repair	-	-	2,743	-
Other Expenses	-	-	7,915	-
Total Building & Grounds	<u>40,300</u>	<u>28,550</u>	<u>26,621</u>	<u>(1,929)</u>
<b>Total General Government</b>	<u>148,550</u>	<u>151,650</u>	<u>134,574</u>	<u>(17,076)</u>
<b>Community &amp; Economic Development</b>				
<b>Planning &amp; Zoning</b>				
Salary	-	-	21,794	-
Fees & Per Diem	-	-	10,764	-
Supplies	-	-	3,190	-
Contracted Services	-	-	24,327	-
Education and Training	-	-	424	-
Total Community & Economic Development	<u>103,000</u>	<u>70,450</u>	<u>60,499</u>	<u>(9,951)</u>
<b>Public Works</b>				
Fees & Per Diem	-	-	2,312	-
Contracted Services	-	-	3,339	-
Legal Notices	-	-	419	-
Street Lighting	4,000	4,000	2,446	-
Road Improvements	250,000	138,000	137,630	-
Spring clean up	36,000	36,000	10,240	-
Other Expenses	-	-	17,087	-
Total Public Works	<u>290,000</u>	<u>178,000</u>	<u>173,473</u>	<u>(4,527)</u>

# Resort Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Recreation and Culture</b>				
Recreation Program	20,000	20,000	17,675	-
Library	3,000	3,000	2,120	-
Township Parks:	50,000	47,500	-	-
Contracted Services	-	-	30,024	-
Supplies	-	-	1,550	-
Professional Services	-	-	1,362	-
Utilities	-	-	3,334	-
	<u>73,000</u>	<u>70,500</u>	<u>56,065</u>	<u>(14,435)</u>
<b>Capital Outlay</b>	<u>135,000</u>	<u>329,500</u>	<u>331,239</u>	<u>1,739</u>
Total Expenditures	<u>940,050</u>	<u>940,050</u>	<u>884,879</u>	<u>(55,171)</u>
<b>Net Change in Fund Balance</b>	(98,150)	(98,150)	151,831	249,981
<b>Fund Balance - April 1, 2004</b>	<u>1,902,358</u>	<u>1,902,358</u>	<u>1,902,358</u>	<u>-</u>
<b>Fund Balance - March 31, 2005</b>	<u>\$ 1,804,208</u>	<u>\$ 1,804,208</u>	<u>\$ 2,054,189</u>	<u>\$ 249,981</u>

# Resort Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Fire Fund For Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Taxes				
Property Taxes	\$ 80,000	\$ 80,000	\$ 99,626	\$ 19,626
<b>Expenditures:</b>				
Operating Expense	<u>60,000</u>	<u>79,350</u>	<u>84,721</u>	<u>(5,371)</u>
Excess Revenues (Expenditures)	20,000	650	14,905	14,255
Fund Balance - Beginning of Year	<u>192,348</u>	<u>192,348</u>	<u>192,348</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 212,348</u>	<u>\$ 192,998</u>	<u>\$ 207,253</u>	<u>\$ 14,255</u>



# Resort Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Public Improvements Fund For Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Interest Income	\$ -	\$ -	\$ 4,312	\$ 4,312
Fund Balance - Beginning of Year	<u>486,528</u>	<u>486,528</u>	<u>486,528</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 486,528</u>	<u>\$ 486,528</u>	<u>\$ 490,840</u>	<u>\$ 4,312</u>

# Resort Township

## Statement of Tax Levy and Collections March 31, 2005

	<b>Millage Rate</b>	<b>Adjusted Levy</b>	<b>Collected</b>	<b>Returned Delinquent</b>
Emmet County	5.9734	\$ 1,188,729	\$ 1,123,320	\$ 65,409
Petoskey Public Schools	21.8585	2,665,660	2,530,186	135,474
Char-Emmet Intermediate School District	2.7534	547,944	517,793	30,151
North Central Michigan College	2.3062	459,526	434,242	25,284
Greenwood Cemetery	0.4700	93,525	88,379	5,146
SET	6.0000	1,194,053	1,145,659	48,394
Township:				
General	0.9039	179,876	169,978	9,898
CFR	-	44	44	-
Fire Fund	0.5000	99,497	94,022	5,475
Total	<u>40.7654</u>	<u>\$ 6,428,854</u>	<u>\$ 6,103,623</u>	<u>\$ 325,231</u>
Percent of Levy Collected	<u>94.94%</u>			

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON  
VELDA K. KAMMERMANN

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Charlevoix, Michigan 49720  
Telephone (231) 547-4911  
Facsimile (231) 547-5911

August 24, 2005

To the Township Board  
Resort Township  
Petoskey, Michigan

We have audited the financial statements of Resort Township for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Auditor's Responsibility**

We conducted our audit of the financial statements of Resort Township in accordance with auditing standards accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances,

makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion"

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **Significant Accounting Policies**

The significant accounting policies are described in Note 1 to the financial statements.

### **Other Communications**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available for review.

### **GASB 34 Implementation**

The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for Resort Township began with the year ended March 31, 2005. The daily operations and recording

transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format.

### **Comments and Recommendations Regarding Internal Controls, Compliance and Efficiency**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **Segregation of Duties**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication effort.

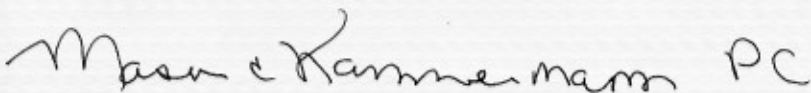
We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

#### **Summary**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Mason & Kammermann PC".

Mason & Kammermann, P.C.  
Certified Public Accountants